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RUEHKO/AMEMBASSY TOKYO 7310
RUEHCN/AMCONSUL CHENGDU 0928
RUEHGZ/AMCONSUL GUANGZHOU 8821
RUEHHK/AMCONSUL HONG KONG 5661
RUESLE/AMCONSUL SHANGHAI 8224
RUEHSH/AMCONSUL SHENYANG 4843
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RUEAIIA/CIA WASHDC
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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000083

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SUBJECT: PRESIDENT CHEN'S NEW YEAR'S SPEECH: GIVING UP ON BEIJING AND THE PAN-BLUE OPPOSITION

REF: A. TAIPEI 0008

- 1B. 2005 TAIPEI 4778
- 1C. 2005 TAIPEI 2490
- 1D. TAIPEI 0055

TAIPEI 0000083 001.2 OF 003

Classified By: AIT Director Douglas H. Paal, Reason(s):
1.4 (B/D)

11. (C) Summary. Taiwan President Chen Shui-bian's advisors insist that the New Year's speech was intended to "clarify" Chen's view of the current situation facing Taiwan and to set the agenda for his final two years. After pro forma insistence that Chen's speech did not mean policy changes, the advisors proceeded to explain that Chen's strong rhetoric toward both Beijing and Taiwan's pan-Blue opposition reflected his conviction that both intend to stiff him and his government in the expectation that popular Kuomintang (KMT) Chairman Ma Ying-jeou will win the 2008 presidential election. They also insisted that Chen's pledge of a new constitution by 2008 involves only moderate changes and will not raise cross-Strait tensions, though events since then clearly suggest the contrary. They acknowledged that despite his strong words on constitutional change, any amendments will be extremely difficult to enact. End Summary.

Chen Clarifies, Sets the Agenda

12. (C) Presidential Deputy Secretary General James Huang (Chih-fang) and Presidential Senior Counselor and speechwriter Liu Shih-chung told the Deputy Director that President Chen Shui-bian's January 1 New Year's speech did not constitute a change in government policy. When the Deputy Director inquired about the intended object of Chen's speech and in what ways it was the "very important" speech that Chen had promised it would be, Huang responded that this was a major speech because it set the agenda for the last two and a half years of the Chen administration. Given the recalcitrance of both Beijing and the pan-Blue opposition parties, he said, it was necessary that President Chen clarify the situation facing Taiwan. (Comment: Both men, longtime contacts and acquaintances of AIT, appeared

unusually uncomfortable and defensive in this meeting. The normally relaxed and articulate Huang sat stiffly through the first ten minutes of his explanation to the Deputy Director with his hand frozen rigidly against his cheek and choosing his words with great care. End Comment.) Huang and Liu described a president so intent on defending his turf and not being trapped by political opponents that he paid little heed to thinking about new directions or Taiwan's future needs. It was, they explained, this need to defend the president's challenged authority and retain his agenda that made the speech so important.

¶13. (C) Both men vigorously denied reports circulating in Taipei that Chen's speech was aimed at shoring up the support of his "deep-Green" base. On the contrary, Liu argued, Chen "already has" the support of the deep-Green base, which constitutes some 30 percent of the party. (Comment: As reported Ref D, a number of DPP analysts have insisted that Chen's speech was intended largely to shore up his base. Several KMT leaders, most notably Chairman Ma to the Director, have told AIT that Chen's harsh rhetoric was aimed at currying the support of "deep-Green," pro-independence DPP members to ensure Chen's protégé Yu Shyi-kun wins the January 15 DPP Chairman election. This is a must-win for Chen, KMT legislator and Ma advisor Lai Shi-pao told AIT, in order to keep Chen politically alive. End Comment.)

Chen Sees Beijing and Pan-Blue Recalcitrance

¶14. (C) Efforts to cooperate with Beijing, on the one hand, and the pan-Blue opposition, on the other, were clearly "going nowhere," Huang told the Deputy Director. There was, thus, no point in continuing the charade of reaching out to and trying to cooperate with two antagonists intent only on humiliating and defeating the DPP government. Beijing, Huang argued, has demonstrated that it has no intention of

TAIPEI 00000083 002.2 OF 003

cooperating with Taipei, detailing a five-year history of Chen offers and concessions rejected by Beijing, particularly Chen's two inaugural speeches (including the "five no's" pledging Taiwan restraint), his November 11, 2004 "ten points" offer to meet with PRC officials on the "basis" of the 1992 Hong Kong discussions, and his March 4, 2005 offer of talks based on the "results" (jieguo) of the 1992 talks. Beijing, however, had never even responded to any of Chen's overtures and concessions, Huang lamented. Instead, Beijing slapped Taiwan with its March 2005 "Anti-Secession Law," then sought to undermine the elected government of Taiwan by working with and supporting the pan-Blue opposition parties via invitations for Lien and Soong to visit China and offers of duty-free fruit for Taiwan farmers, Pandas for Taiwan children and reduced tuition for Taiwan students. Beijing, continued a clearly distressed Huang, is working with the opposition parties rather than with the elected Taiwan government and is looking toward 2008 and expected victory by Ma Ying-jeou (the "commanding political figure in Taiwan," Liu sardonically interjected). Thus, Huang concluded, there is "no point" in continuing to try to cooperate with Beijing.

¶15. (C) Nor does Taiwan's pan-Blue opposition intend to cooperate with the ruling DPP government, Liu argued. To the Deputy Director's comment that many observers had expected a more conciliatory, less confrontational speech in the wake of the DPP's December 3 election loss, Liu responded that the KMT had arrogantly demanded that Chen acquiesce to its cross-Strait agenda, which outraged Chen. Chen's speech, Liu explained, actually grew out of the election aftermath and Chen's growing anger over KMT post-election arrogance, which Chen felt misled not only the people of Taiwan, but also Beijing. KMT Chairman Ma, Liu continued incredulously, went so far as to tell Newsweek magazine that the KMT supports Taiwan unification with Mainland China, something that former KMT Chairman Lien Chan had steadfastly refused to say.

¶ 16. (C) When the Deputy Director pointed out that Huang and Liu's explanation appeared to show that in fact government cross-Straight policy has changed and that the Chen government is halting efforts to cooperate cross-Straight with Beijing and cross-party with the pan-Blue opposition, the two men quickly responded once again that government cross-Straight policy has not changed. President Chen's speech, Huang explained, was just a factual recognition of the reality that Beijing and the pan-Blue opposition are not interested in responding to Chen's extended hand of cooperation. Taipei is willing to cooperate with Beijing, Huang stressed, but President Chen felt it was important to send a message to Beijing. The government, Huang continued, will keep functional exchanges, such as passenger and cargo charter flights and PRC tourists to Taiwan, "on the table," but Beijing must respond to President Chen's many offers of good will for there to be dialogue. "The ball," Huang insisted, "is in Beijing's court."

¶ 17. (C) To the Deputy Director's comment that many observers, especially business people, saw Chen's reversal of his earlier "active opening, effective management" formulation into "active management, effective opening" as a policy change and a retrenchment from cross-Straight engagement, Huang responded uncomfortably, reiterating once again his insistence that there had been no change in policy. He then stated, apparently thinking out loud and off the cuff, that the real impact of the President's January 1 speech will have to await Executive Yuan (EY) implementation. It will be EY implementation, he said, that determines the final meaning of President Chen's speech (Comment: Presumably by corroborating Huang's claim that there has been "no change in policy." AIT will be watching EY implementation closely. Initial signs are clearly that restrictions are growing on cross-Straight economic exchanges; see, for example, Ref D. End Comment).

Constitutional Revision

TAIPEI 00000083 003.2 OF 003

¶ 18. (C) Noting that the cross-Straight segment constituted less than one third of Chen's speech, Liu urged that the whole speech should be taken into account. The rest of the speech, he argued, focused on positive issues such as sustainable development and economic fairness. The Deputy Director agreed that the speech covered a number of other important topics, one of which, he noted, was constitutional revision, a topic that has also aroused considerable discussion. Constitutional reforms last summer, he noted (see ref C), had raised the approval threshold so high that any constitutional change would be extremely difficult. Huang responded, hesitantly, that in time the situation might change and that greater support for constitutional revision might emerge. When the Deputy Director asked Huang if there was any truth to opposition charges that President Chen might try to hold a direct public referendum on a constitutional revision without going through the LY, Huang and Liu were visibly surprised and insisted that Chen had never thought of doing this.

Comment: The Proof is in the Implementation

¶ 19. (C) Huang's cryptic remark that the real impact of the President's speech will depend on how the EY enforces "active management" of cross-Straight trade and commerce offers a benchmark for evaluating the meaning of Chen's speech. On the one hand, this could be a hint that Huang expects the president's policy to moderate after the January 15 DPP Chair election, which Chen's protg Yu Shyi-kun appears likely to win. If Huang is right that the proof of the speech is in the implementation, however, the government's

move yesterday, January 9, to prosecute United Microelectronics Corporation (UMC) CEO Robert Tsao for unapproved investments on the mainland suggests the first operational step is in the direction of "active control," while Premier Frank Hsieh's statement that Taiwan will probably not accept Beijing's offer of a pair of panda's would be the second step.

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